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IN THE UNITED STATES PATENT AND TRADEMARK OFFICE
BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD

GALLEON S.A.,
BACARDI-MARTINI U.S.A., INC., and
BACARDI & COMPANY LIMITED,

Petitioners,

-against-

HAVANA CLUB HOLDINGS, S.A., and
HAVANA RUM & LIQUORS, S.A. d/b/a
H.R.L., S.A.,

Respondents.

Cancellation No. 24108

SUPPLEMENTAL AND AMENDED PETITION FOR CANCELLATION

Petitioners, Galleon, S.A., BACARDI-MARTINI U.S.A., Inc. and Bacardi & Company Limited, are being damaged by the presence on the principal register of Registration No. 1,031,651 of the purported mark HAVANA CLUB and DESIGN for rum (the "Castro Registration") and hereby petition to cancel same.

1. Galleon, S.A. ("Galleon") is a Bahamian international business company with its principal place of business at 49 Collins Avenue, Nassau, Commonwealth of the Bahamas.
2. BACARDI-MARTINI U.S.A., Inc. ("Bacardi U.S.A.") is a Delaware corporation with its principal place of business in Miami, Florida.
3. Bacardi & Company Limited ("Baco") is a Liechtenstein company with its principal place of business at Millar Road, Nassau, the Bahamas.
4. Bacardi U.S.A. is engaged in the business of importing, distributing, and selling distilled spirits, including BACARDI and CASTILLO rums, premixed specialty

drinks such as the BREEZER line of products and MARTINI & ROSSI vermouth and wines in interstate commerce throughout the United States.

5. Galleon is engaged in the spirits business and is the owner of App. Ser. No. 74/572,667 to register the mark HAVANA CLUB for "rum and rum specialty drinks" in International Class 33.

6. Baco is the owner of the internationally renowned name and mark BACARDI and the worldwide registrations thereof and the related business and goodwill. Baco is the successor of Compania Ron Bacardi S.A., a Cuban joint-stock company that was formerly headquartered in Santiago de Cuba. Bacardi U.S.A. uses the name and mark BACARDI in the United States under authority granted by Baco (hereinafter Baco and Bacardi U.S.A. will be collectively referred to as "Bacardi").

7. Bacardi's parent corporation is presently owned by the descendants of Don Facundo Bacardi, who over a century ago in Cuba originated a recipe and process for the distillation and manufacture of rum that has been sold ever since under the BACARDI name and mark. Indeed, BACARDI rum is today the best-selling brand of spirits in the world.

8. As a result of the extensive advertising, promotion and sale of BACARDI rum, American consumers have long recognized Cuban-style rum as being of the highest quality.

9. In a 1937 book entitled Famous New Orleans Drinks, Stanley Arthur opined that "Cuba holds the palm for producing the best rum" (p.37) and goes on to note that Bacardi rum received its name from the Bacardi family of Cuba, well-known distillers and bottlers. Similarly, Alexis Lichine's New Encyclopedia of Wines and Spirits (1987) lists "Bacardi" as "a well-known brand of Cuban rum, now produced in Puerto Rico, Brazil, Mexico and the Bahamas." The Encyclopedia also states that the principal producers of the best Cuban rum prior to Castro's takeover included Compania Ron Bacardi, a predecessor of

Petitioners. On October 14, 1960, the Cuban properties of Bacardi's predecessor were unlawfully expropriated.

10. The manufacture and sale of Cuban rum, that is to say, rum made in the manner originated in Cuba by Don Facundo Bacardi is the birthright of Bacardi.

11. The Petitioners have a bona fide intent to produce rum in the future in a democratic Cuba. When the President of the United States, pursuant to the Cuban Democracy Act of 1992, 22 U.S.C.A. Section 6007(b), certifies that a democratic government has been re-established in Cuba such that the U.S. trade embargo with Cuba is lifted, then petitioners intend once again to produce rum in Cuba, the land where Bacardi's rum business began.

12. At present, however, it is not possible for petitioners or anyone else to make rum in Cuba and import and sell that rum in the United States. As American consumers are well aware due to the long-standing embargo of items manufactured in Cuba, rum produced there cannot at present be lawfully sold in or imported into the United States.

13. Bacardi, nonetheless, intends to expand the array of rums Bacardi is presently offering and selling in the United States, particularly Cuban-style rums which are refined, aged, and blended using the processes and formulae perfected by Bacardi's predecessors in Cuba and taken outside of Cuba by Bacardi after Castro's usurpation of power.

14. Bacardi also plans to import and distribute rum in the United States made under authority granted by Galleon. That rum is to be advertised, distributed and sold under the trademark HAVANA CLUB and will be carefully made in the style developed by Cuban rum masters prior to Castro's unlawful confiscation of the distilleries of Bacardi and other Cuban rum producers.

15. To emphasize the Cuban heritage of petitioners' rum, petitioners intend to market such products under brand names and marks that feature the word HAVANA.

Galleon owns an I-T-U application to register the mark HAVANA CLUB for rum and rum specialty drinks. Moreover, Baco has several such I-T-U applications pending, including ones for registration of the marks HAVANA CLIPPER, HABANO CLASSICO, and OLD HAVANA.

16. The presence on the Principal Register of Reg. No. 1,031,651 of the mark HAVANA CLUB is damaging to petitioners because: (a) it gives registrant a colorable right to the exclusive use of the mark HAVANA CLUB for rum in the United States; (b) it places a cloud over Galleon's right to register and use the trademark HAVANA CLUB in the United States; (c) it puts a cloud over Baco's right to register and use its other "HAVANA" formative marks in the United States; (d) it threatens to interfere with the right of Bacardi U.S.A. to import, distribute, and sell HAVANA CLUB rum under the authority of Galleon in the United States; and (e) it threatens to interfere with the right of Bacardi U.S.A. to import, distribute and sell rum under Baco's other "HAVANA" formative marks in the United States.

Respondents' Business & Marks

17. The HAVANA CLUB and DESIGN mark was registered in the United States Patent & Trademark Office ("PTO") under No. 1,031,651 on January 27, 1976, based on a purported Cuban Registration No. 110,353, dated February 12, 1974, pursuant to Section 44 of the Lanham Act, 15 U.S.C. § 1126. The design portion of the mark included the Spanish legend "Fundado en 1878" and the depiction of a figure in a circle holding a cross or sword.

18. The registrant was allegedly a Cuban state enterprise called Empresa Cubana Exportadora de alimentos y Productos Varios, which translates in English to the Cuban Export Enterprise of Food and Various Products d/b/a Cubaexport (hereinafter "Cubaexport"). Cubaexport was incorporated under the laws of Cuba in 1965 and maintained offices at 55, 23rd Street, Vedado, Havana Cuba.

19. Jose Arechabala, S.A. of Cardenas, Cuba, had first used the mark HAVANA CLUB in commerce in the United States as early as the 1930's. On May 14, 1935, the trademark HAVANA CLUB for "Ethyl alcohol, rum, etc." was registered under No. 324,385 and on June 16, 1936, the trademark HAVANA CLUB and DESIGN for "Rum, etc." was registered under No. 335,919 in the PTO, by Jose Arechabala, S.A. The design portion of the latter registered mark included the words "Founded 1878". Thereafter, on August 11, 1953, Jose Arechabala, S.A. was issued two registrations of label DESIGN marks incorporating the words "HAVANA CLUB" on the Supplemental Register under Nos. 578,679 and 578,680, respectively.

20. The registration of the mark HAVANA CLUB for rum on the principal register owned by Jose Arechabala, S.A. was obtained under § 2(f) of the Lanham Act, which indicates that the mark HAVANA CLUB had obtained secondary meaning in the United States.

21. Cubaexport was not "founded in 1878" and Cubaexport was not the successor to Jose Arechabala, S.A., the Cuban company which first used the HAVANA CLUB name and mark in the United States. The use of the statement "Fundado en 1878" as part of the HAVANA CLUB and DESIGN mark registered by Cubaexport was meant to be understood by the American public as an indication that Cubaexport's rum was somehow associated with or approved by the original source of HAVANA CLUB rum in the United States and was of the same quality as the rum they had previously purchased and enjoyed.

22. Cubaexport was well aware at the time it filed its application that matured into Reg. No. 1,031,651 that it was not the owner of the mark HAVANA CLUB for rum in the United States.

23. Cubaexport knew that the HAVANA CLUB and DESIGN mark which it applied for in the United States was still associated with Jose Arechabala, S.A., the original Cuban company which had previously imported and sold HAVANA CLUB rum in

the United States. Moreover, the formula used to make ersatz HAVANA CLUB rum by Cubaexport was materially different from the formula used by the original producers of HAVANA CLUB rum. This formula was changed surreptitiously in a manner calculated to deceive purchasers of HAVANA CLUB rum as to the changed nature of the product.

24. Nonetheless, Cubaexport filed its application under Section 44 of the Lanham Act, falsely asserting ownership of the Cuban registration and submitting a label specimen showing use, when no lawful label approval had been obtained from the Federal Bureau of Alcohol, Tobacco and Firearms ("BATF") by Cubaexport.

25. Under Section 44 and Sections 1 and 45 of the Lanham Act, a foreign applicant must have a good faith intent to use the mark applied for in commerce in the United States.

26. Cubaexport, at all relevant times, had no intent to use the mark in the United States when it filed its application, and, its application was made in bad faith for defensive purposes with the intent of foreclosing others from rightfully using the mark HAVANA CLUB and DESIGN here.

27. Rum produced under the supervision of the original registrant, Cubaexport, has never been sold in the United States under the trademark HAVANA CLUB and DESIGN.

28. On or about January 12, 1982, a Section 8 Declaration was filed in the PTO in connection with Registration No. 1,031,651. On information and belief, that declaration, purportedly signed by Fausto Alfonso Man, wilfully and falsely stated that the mark [HAVANA CLUB] "is still in use on goods and services in each class as evidenced by the attached specimen for each class showing the mark as currently used."

29. The Declaration further falsely averred that Cubaexport was the owner of said mark and registration. As alleged aforesaid, Cubaexport, at all relevant times, knew

said mark HAVANA CLUB and DESIGN was not owned by Cubaexport in the United States.

30. The label specimen submitted by Cubaexport was never the subject of a lawful label approval issued by the BATF and contained misleading and false statements that precluded approval by the BATF.

31. The United States Department of the Treasury pursuant to the Trading with the Enemy Act, 50 U.S.C. App. § 1 et. seq. issued the Cuban Asset Control Regulations ("CACR") in 1963 imposing a total embargo on all trade between the United States and Cuba. These regulations, inter alia, have prohibited the importation, distribution or sale in the United States of rum produced in Cuba. (31 CFR Part 515). Those regulations remain in effect and, since their effective date, no rum produced in Cuba has been lawfully imported into and sold in the United States.

32. Section 515.201(b)(1) of the CACR prohibits all transactions involving transfers of property [such as a U.S. trademark right] in which a Cuban company such as Cubaexport has at any time had an interest of any nature whatsoever "direct or indirect", including transfers of "any property" or "evidences of ownership of property" by any person subject to the jurisdiction of the United States and § 505.201(b)(2) prohibits all transfers of such property or property interests subject to jurisdiction in the United States. In other words, tangible or intangible property rights in the United States in which Cuban nationals have an interest (like the trademark rights claimed by Cubaexport), cannot be transferred or assigned under the CACR.

33. Section 515.203(a) makes any transfer which violates the CACR null and void and provides that such transfers "shall not be the basis for the assertion or recognition of any interest in or right, remedy, power or privilege with respect to such property."

34. In November 1993, Pernod Ricard S.A., a French corporation with offices at 142 Boulevard Hausmann, Paris, France signed a cooperation agreement with a Castro governmental entity, making Pernod Ricard S.A. the exclusive distributor of HAVANA CLUB rums throughout the world, including the United States. Pernod Ricard S.A. reportedly directly or indirectly paid millions of dollars for this right to Cuban nationals or entities.

35. Respondent Havana Club Holdings, S.A., a corporation organized under the laws of Luxembourg, was established in November 1993 and has its offices in Paris, France. Respondent Havana Club Holdings, S.A. is controlled directly or indirectly by Pernod Ricard, S.A. Respondent Havana Rum and Liquors, S.A. is a shareholder in Havana Club Holdings, S.A.

36. Respondent Havana Rum and Liquor, S.A. is a Cuban company organized in 1993. According to the Declaration of Vidal Manuel Prieto Espina, its Managing Director, Havana Rum and Liquors, S.A. purportedly acquired the HAVANA CLUB rum business from Cubaexport in 1993.

37. By Assignment, dated January 10, 1994, Cubaexport purportedly assigned the rights to the HAVANA CLUB and DESIGN trademark in the United States and U.S. Reg. No. 1,031,651 thereof to Respondent Havana Rum & Liquors, S.A., a Cuban company, with its address at 305 Miramar, Havana Cuba. The assignment was executed by Milda Picos River's identified as Manager of Cubaexport. The assignment was recorded in the PTO at Reel 1104, Frame 047 on February 10, 1994. No goodwill or related assets were conveyed with the purported trademark, so this assignment-in-gross destroyed any rights of the purported assignee in or to said HAVANA CLUB and DESIGN mark or the registration thereof in the United States.

38. By Assignment, dated June 22, 1994, Havana Rum and Liquors, S.A., a Cuban company, purportedly assigned the rights to the trademark HAVANA CLUB and

DESIGN in the United States and U.S. Reg. No. 1,031,651 thereof to Respondent Havana Club Holdings, S.A. d/b/a HCH, SA, a Luxembourg company, with offices at 6, Rue Heine, Luxembourg. The assignment recited that the transfer was for \$10 and other good and valuable consideration received by Havana Rum & Liquors, S.A., from Havana Club Holdings, S.A. The assignment was recorded in the PTO at Reel 1219, Frame 429 on September 13, 1994. No goodwill or related assets were conveyed with the purported trademark, so this assignment-in-gross destroyed any rights of the purported assignee in or to said mark or the registration thereof in the United States.

39. The purported barter and sale of the Castro Registration, a U.S.-based asset of a Cuban company, for an undetermined sum to Havana Club Holdings, S.A., a Luxembourg company, was in violation of the Cuban Asset Control Regulations. This assignment and the earlier purported assignment of said registration were not recorded in the United States PTO within three months as required by the Cuban Asset Control Regulations, in order to conceal the violation by Respondents of said regulations.

40. The rights to the HAVANA CLUB and DESIGN trademark and Registration No. 1,031,651 thereof are trademark or property rights with a situs in the United States. Cubaexport designated a domestic representative in the United States and consented to the jurisdiction of the United States with respect to that mark. Respondent Havana Club Holdings, S.A. is subject to the jurisdiction of the United States and has appointed Rabinowitz, Boudin as its domestic (U.S.) representative upon whom notice of process in proceedings affecting the mark may be served.

41. The purported transfers of the HAVANA CLUB and DESIGN mark and the U.S. registration No. 1,031,651 thereof, which are U.S. assets of a Cuban company, first to Respondent Havana Rum & Liquors, S.A. and then to Respondent Havana Club Holdings, S.A., a Luxembourg company, were in violation of the Cuban Asset Control Regulations. These purported transfers were null and void under § 505.203(a) of the CACR

and may not be the basis for recognition of any rights or property interest of Respondent Havana Club Holdings, S.A. in the mark HAVANA CLUB and DESIGN or in U.S. Registration No. 1,031,651 thereof.

I.

Fraud in Obtaining and Maintaining Registration

42. Paragraphs 1 through 41 are incorporated herein by reference.

43. Registration No. 1,031,651 of the mark HAVANA CLUB and DESIGN was fraudulently obtained and maintained by the original registrant, Cubaexport.

44. These fraudulent acts and statements include, but are not limited to, the statement that the HAVANA CLUB and DESIGN mark was owned by Cubaexport at the time of the original application and the statement that it was "still in use in commerce" in the Section 8 affidavit. These statements were wilfully false and fraudulent when made and were done with the intention of fraudulently obtaining and maintaining the registration of the HAVANA CLUB and DESIGN mark on the Principal Register of the PTO.

45. Wherefore, Registration No. 1,031,651 of the HAVANA CLUB and DESIGN mark has been fraudulently obtained and maintained in violation of 15 U.S.C. § 1064(3) and should be cancelled as prayed for hereinafter.

II.

False and Fraudulent Renewal by Respondent Havana Club Holdings, S.A.

46. Paragraphs 1 through 45 are incorporated herein by reference.

47. The rights, if any subsisted, to the HAVANA CLUB and DESIGN mark in the United States and U.S. Registration 1,031,651 on or about January 12, 1996, still resided in Cubaexport, not Respondent Havana Club Holdings, S.A. Nonetheless, Havana Club Holdings, S.A. purported to renew said registration on said date. The purported attempts by Cubaexport and Respondents to transfer said mark and registration were, in addition to being assignments-in-gross, null and void ab initio pursuant to 31 CFR

§ 515.203(a) and cannot serve as the basis for recognizing any rights to said mark in Respondent Havana Club Holdings, S.A. Alternatively, since Cubaexport never sought to renew Reg. No. 1,031,651 of said HAVANA CLUB and DESIGN mark, the requirements of 15 U.S.C. § 1059(a) and (e) were not met, and the registration thereof in the United States PTO expired, and said registration must be cancelled and expunged.

48. Cubaexport, Respondent Havana Club Holdings, S.A., and Respondent Havana Rum & Liquors, S.A., were at all relevant times aware of the fact that the purported transfers of the HAVANA CLUB and DESIGN mark in the United States and said registration thereof were prohibited by the CACR and willfully violated those regulations. Furthermore, Respondent Havana Club Holdings, S.A. knowingly falsely represented that it owned said mark and registration in connection with the renewal declaration filed on or about January 12, 1996.

49. Wherefore, Registration No. 1,031,651 of the HAVANA CLUB and DESIGN mark was falsely and fraudulently renewed by Respondent Havana Club Holdings, S.A. in violation of 15 U.S.C. § 1064(3) and should be cancelled as prayed for hereinafter.

III.

Abandonment

50. Paragraphs 1 through 49 are incorporated herein by reference.

51. Further, the purported assignments of said HAVANA CLUB and DESIGN mark and Registration No. 1,031,651 have been invalid assignments-in-gross, and so the purported HAVANA CLUB mark does not identify goods emanating exclusively from a single source.

52. Wherefore, the HAVANA CLUB and DESIGN mark has been abandoned by registrant or its alleged predecessors-in-title within the meaning of Section 45 of the Lanham Act, 15 U.S.C. § 1127, and the Registration No. 1,031,651 of the HAVANA CLUB and DESIGN mark should be cancelled as prayed for hereinafter.

IV.

Misrepresentation of Goods

53. Paragraphs 1 through 52 are incorporated by reference.

54. Respondents and Cubaexport have prepared and caused advertisements for their ersatz HAVANA CLUB rum to appear in magazines and publications distributed through the channels of interstate commerce in the United States and have paid promotional fees or given other inducements to movie producers to cause their HAVANA CLUB rum and their purported HAVANA CLUB and DESIGN mark to be depicted in movies distributed in interstate commerce in the United States, including the film "The Firm". These advertisements and the use and depiction of said mark in films are designed to induce American consumers into buying Respondents' ersatz HAVANA CLUB rum abroad and to build up a demand for said product when it becomes legally available for sale in the United States.

55. The aforesaid actions of Respondents, including their use of the labeling statement incorporated as a component of the DESIGN portion of the aforesaid mark that falsely indicates that the producer was "founded in 1878" is part of a deliberate scheme by Respondents to pass off their ersatz HAVANA CLUB rum as being somehow approved by the producer of, or as being the same quality as, the only HAVANA CLUB rum ever sold legally in the United States which was produced by Jose Arechabala, S.A.

56. Furthermore, said advertising and promotional use of said HAVANA CLUB and DESIGN mark and Respondents' other aforesaid acts and omissions are intended to confuse the American public into wrongly believing that Respondents are somehow the legitimate successor to the original producer of the HAVANA CLUB rum sold in the United States, Jose Arechabala, S.A. Indeed, the use of the statement "founded in 1878" as part of the Design portion of the mark can have no other purpose.

57. Through the aforesaid acts, Respondents have used the purported HAVANA CLUB and DESIGN mark as a vehicle for fraud and said mark is being used in violation of 15 U.S.C. § 1064(3) to misrepresent the source of Respondents' ersatz HAVANA CLUB rum.

58. Wherefore, said mark was used by or with the permission of Respondent in violation of § 1064(3) and the registration thereof should be cancelled as prayed for hereinafter.

WHEREFORE, Petitioners pray:

59. That Reg. No. 1,031,651 of the HAVANA CLUB and DESIGN mark be cancelled.

60. That Petitioners have such other and further relief as the Trademark Trial and Appeal Board may deem just and proper.

Please recognize as attorneys for Petitioners William R. Golden, Jr. and Margaret Ferguson, who are admitted to practice before the courts of the State of New York and are practicing with the firm of Kelley Drye & Warren, 101 Park Avenue, New York, New York 10178.

Dated: New York, New York
August 19, 1996

Respectfully submitted

KELLEY DRYE & WARREN

By: William R. Golden, Jr.
William R. Golden, Jr.

Attorneys for Petitioners
Galleon S.A., Bacardi-Martini U.S.A.,
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CANCELLATION NO. 24108

CERTIFICATE OF EXPRESS MAILING AND SERVICE

Date of Deposit: August 19, 1996

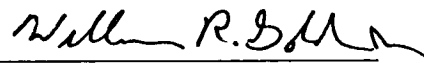
I hereby certify that the within Petitioners' Supplemental and Amended Petition for Cancellation is deposited with the United States Postal Service "Express Mail Post Office to Addressee" service under 37 C.F.R. § 1.10 on the date indicated above, addressed to:

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Trademark Trial and Appeals Board
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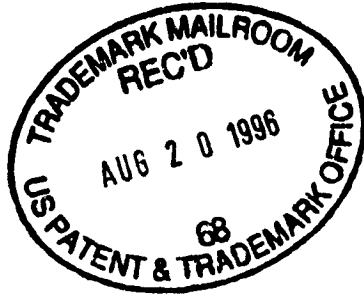
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August 19, 1996

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LABEL NUMBER EG179524897US

Trademark Trial and Appeals Board/No Fee
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Assistant Commissioner for Trademarks
2900 Crystal Drive
Arlington, VA 22202-3513

Re: Galleon, S.A. et al. v. Havana Rum & Liquors, S.A. et
ano., Cancellation no. 24,108

Dear Trademark Office Staff:

Enclosed please find an original and two copies of Petitioners' Supplemental and Amended Petition for Cancellation.

Please acknowledge receipt on the enclosed postcard.

Thank you for your attention.

Very truly yours,

William R. Golden, Jr.

WRG:lj

Enclosures

cc: Caroline Rule, Esq.
Rabinowitz, Boudin, Standard,
Krinsky & Liberman, PL